



Board Report

File #: 2024-0541, File Type: Budget

Agenda Number: 11.

CONSTRUCTION COMMITTEE SEPTEMBER 18, 2024

SUBJECT: METRO TRAINING & INNOVATION CENTER (MTIC)

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. INCREASING the Life of Project Budget for the Metro Training & Innovation Center (Project) by \$1,409,000, from \$19,900,000 to \$21,309,000; and
- B. AUTHORIZING the Chief Executive Officer to amend the FY25 Budget in the amount of \$1,091,000 to fund operational costs for the Metro Training & Innovation Center.

ISSUE

The Life of Project (LOP) budget for the Metro Training & Innovation Center Project requires an increase of \$1,409,000 for additional costs related to tenant improvements and furniture, fixtures, and equipment for the office space. The FY25 Budget will also need to be amended in the total amount of \$1,091,000 to pay for the Project's first year operations. The LOP budget increase and FY25 budget amendment will be funded by the FY2023 Transit Infrastructure Grant for \$2,500,000 which is eligible for use on both capital and operating costs associated with the Metro Training & Innovation Center.

BACKGROUND

The Evermont mix-used development located at Vermont Avenue and Manchester Avenue consists of a six-story mixed-use affordable housing and community-serving retail, an open transit plaza, a job training center, a six-story SEED boarding school with faculty residential units, full-service grocery store, and 383 parking spaces located at the ground-level and within a 3.5-level parking structure.

The Project features 15,000 square feet of office space and includes five large rooms designed as flexible conference spaces that can be utilized as a computer lab, training room, and to host a number of professional development programs. The Project has 60 dedicated parking spaces, passenger elevator, Metro signage, and transit-related amenities throughout the Transit Plaza.

In October 2020, the Board approved a Life of Project budget of \$19,900,000 and authorized the Chief Executive Officer to finalize negotiations on ancillary terms, execute agreements, and to authorize construction and funding Metro's share of the mixed-use development. Since that time, Metro executed an Office Lease with the Developer, Primestor, and include the following:

- Metro to design and fund the construction of the tenant improvements in an amount not to exceed \$11,600,000.
- Owner to construct the shell and exterior of the space.
- Owner to construct the tenant improvements according to Metro's approved final design.
- Duration of a 15 year lease with four five year options.
- Annual base rent starting at \$630,000 and subject to CPI increases not to exceed 3%.
- Base rent includes janitorial service, trash removal, pest control, electricity, natural gas, water, and sewer (if applicable).
- Metro will have access to 60 reserved parking spaces throughout the term of the agreement.
- The location of the reserved parking spaces is subject to Metro's approval.
- The term of the Parking Rights Agreement is 35 years.

As of this report, the Project is approximately 55% complete and is on schedule for completion before December 2024.

DISCUSSION

LOP Increase

The approved LOP budget was based on the conceptual design prepared during final office lease negotiations with the Developer. Since then, Project staff have completed the design and authorized construction of the tenant improvements. The Developer and Project Staff have been working diligently to complete the project within the approved budget; approximately \$11,751,000 has been expended to date however, the LOP as established prior to the contract notice-to-proceed has been determined to be inadequate given the complexity of the Project.

During the construction, several unanticipated design issues and different site conditions resulted in impacts to the project budget. For example, the field condition of the ceiling height and structural beams of the core and shell conflicted with the design of the tenant improvements. This led to extensive redesign of mechanical, electrical, and plumbing (MEP) lines and elimination of interior walls. As a result, construction and design support during construction increased by \$636,000. In addition, the estimated cost to procure the furniture, fixtures, and equipment needed to open the center is \$773,000. The total forecast of costs for additional design services during construction, furniture, fixtures, and equipment necessary for project opening is \$1,409,000.

This LOP increase addresses all current and future direct and indirect cost impacts and will provide sufficient funding to cover the increased costs through completion of the project.

Budget Amendment

Once complete, the Metro Training & Innovation Center will provide professional development resources and job training for existing Metro employees and residents from across the County

seeking employment and professional advancement. Metro Staff are designing programming for the Metro Training & Innovation Center to build the future's infrastructure workforce.

An FY25 budget amendment of \$1,091,000 is needed for operational costs, including the lease, staffing needed to operate the MTIC five days a week, marketing, and community outreach, and administrative costs related to opening and the day-to-day operations.

MTIC Programming

The Metro Training & Innovation Center will provide resources and job training for existing Metro employees and residents from across the County seeking employment and professional advancement.

- For existing Metro employees, staff have designed workforce development programming to include skills training (resume and interview workshops), a testing center, professional development programming (Metro Leadership Academy and EnoMAX), internship programs and youth initiatives. MTIC will provide computer lab access for employees to conduct mandatory and specialized trainings related to their job functions.

For residents across the County, Metro will host hiring and recruitment initiatives, including but not limited to Job Fairs, Room to Work Initiatives/Workforce Re-entry Trainings, and Veterans Career Transition Workshops. MTIC will offer access to Metro's job board and online application system for job seekers. Metro is exploring partnership opportunities with community and government stakeholders who have existing job readiness programs such as work centers focused on careers in various fields from construction, logistics and transportation.

DETERMINATION OF SAFETY IMPACT

Approval of these actions will have no impact on safety. The completion of this Mixed-Use Development and Transit Plaza will offer opportunities to improve safety for transit riders by installing new lighting and activating the area with new uses and transit related amenities.

FINANCIAL IMPACT

The LOP budget increase in project 405901 and FY25 budget amendment for the first year's operating costs will be funded by the FY2023 Transit Infrastructure Grant for \$2,500,000 which is eligible for use on both capital and operational costs associated with Metro Training & Innovation Center. An FY25 budget amendment is not required for the capital costs as an annual budget of \$4,297,617 has been included in the FY25 adopted budget in cost center 8510 and project 405901.

In an effort to keep future costs neutral, Metro will engage community partners and issue a Request for Proposals to workforce development agencies and community-based organizations, allowing the opportunity to compete for hosting programming at the MTIC. The first year of use will be at no cost to the community and will be funded through the FY2023 Transit Infrastructure Grant. In addition, Metro will pursue additional grant funding to contribute towards future MTIC costs.

This is a multi-year Project with substantial completion in the second quarter of Fiscal Year 25. Upon approval of the revised LOP budget, staff will manage the Project within the Board approved budget.

It is the responsibility of the Project Manager to budget for the MTIC project in future fiscal years.

Impact to Budget

The FY25 budget impact is \$1,091,000 which includes operational costs for the Metro Training & Innovation Center. Funding sources come from the FY2023 Transit Infrastructure Grant.

EQUITY PLATFORM

The Evermont Mixed Use Project presents a unique opportunity for Metro to engage South Los Angeles community residents in the revitalization efforts aimed at transforming a site that has been vacant and undeveloped since the civil unrest of 1992 into a viable community asset. The project is located within a cluster of equity focus communities, in which, approximately 63% of residents are Latino, 36% are Black, and 39% of the households earning less than \$25K a year. Additionally, less than 4% of the residents in the area have a four-year degree. There are stark disparities in employment, education, housing, and food access.

This request to increase the LOP and amend the FY25 budget would ensure that Metro fulfills its commitment to expand access to workforce development opportunities for residents living nearby, as well as disadvantaged residents from across the county seeking opportunities for job training to prepare themselves for careers in the transportation infrastructure industry. Metro's continued investment in this historically disinvested community, and development of the MTIC will help address the community's pronounced need for affordable housing, fresh grocery stores, access to education, job training opportunities, and providing mobility options for a community with less access to transit. This decision will help address the economic inequities that continue to plague our region.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This action directly supports the Project, which is consistent with Metro's Strategic Plan Goals to enhance communities and lives through mobility and access to opportunity. By constructing the Metro Training & Innovation Center, the Project seeks to better connect residents to workforce development opportunities and a wider range of regional employment, travel, and cultural opportunities.

ALTERNATIVES CONSIDERED

The Board may choose not to adopt the proposed increase to the LOP. This would not be recommended because without the additional grant funds, Metro could not complete the tenant improvements and furniture, fixtures, and equipment for the project and meet our grant obligations. Moreover, the MTIC will not only be integral component of a larger development to help to revitalize the South Los Angeles area, but also serve as a resource for existing employees and disadvantaged community members seeking employment and professional development.

NEXT STEPS

Upon approval, staff will revise the LOP budget and execute necessary modifications to the

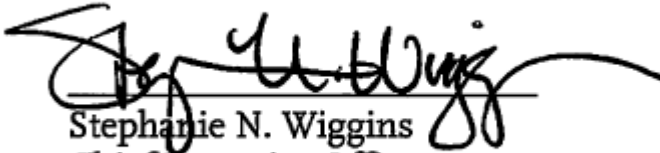
construction contract, and any necessary task orders in support of the Project. Additionally, staff will move forward with staffing and operational needs related to operating the day-to-day operations of this facility, including MTIC programming for Metro employers and LA County residents.

ATTACHMENTS

Attachment A - Funding and Expenditure Plan

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Stephanie N. Wiggins
Chief Executive Officer

**FUNDING/EXPENDITURE PLAN
VERMONT/MANCHESTER - METRO TRAINING AND INNOVATION CENTER**

Use of Funds	Through FY24	FY25	FY26+	Total Capital Costs
Design Phase				
Design Costs	1,587,000	-	-	1,587,000
Legal Assistance with Real Estate	52,000	-	-	52,000
Agency Costs	-	-	-	-
Design Phase Total	1,639,000	-	-	1,639,000
Construction Phase				
Construction - Parking	3,000,000	-	-	3,000,000
Construction - Transit Plaza	2,504,000	996,000	-	3,500,000
Construction - Tenant Improvements	5,314,000	3,852,000	-	9,166,000
Development Fee	480,000	218,000	-	698,000
FF&E (Furniture / Equipment)	-	1,409,000	-	1,409,000
Design Support During Construction	195,000	624,000	-	819,000
Agency Costs	258,000	67,000	-	325,000
Legal Fees	-	4,000	-	4,000
Project Contingency	-	-	749,000	749,000
Construction Phase Total	11,751,000	7,170,000	749,000	19,670,000
Total Project Cost	\$13,390,000	7,170,000	749,000	21,309,000
Source of Funds	Through FY24	FY25	FY26+	Totals
Local Funds	13,390,000	5,761,000	749,000	19,900,000
FY23 Transit Infrastructure Grant	-	1,409,000	-	1,409,000
Total Project Funding	13,390,000	7,170,000	749,000	21,309,000



METRO TRAINING & INNOVATION CENTER (MTIC)



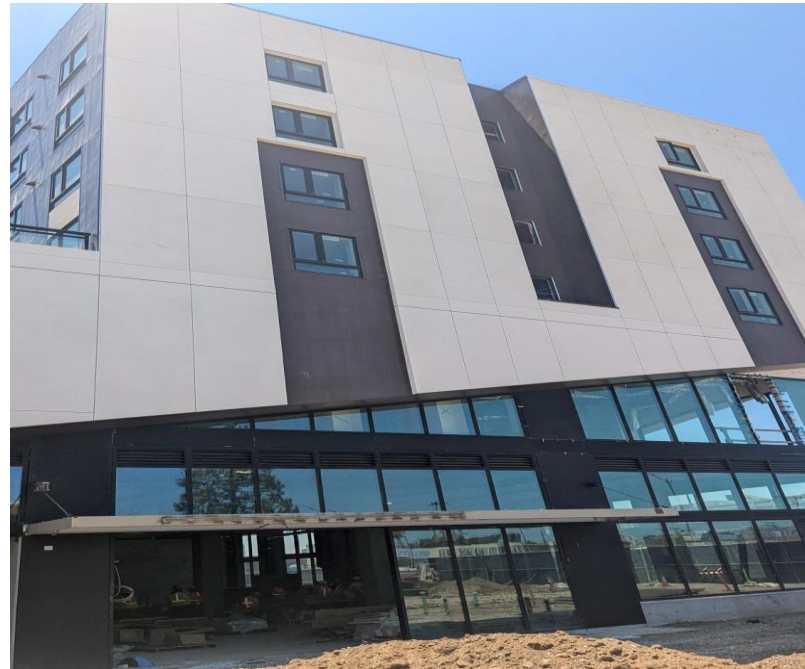
Construction Committee
September 18, 2024

MTIC Recommendation

- INCREASE the Life of Project Budget for the Metro Training & Innovation Center (Project) by \$1,409,000, from \$19,900,000 to \$21,309,000.
- AUTHORIZE the Chief Executive Officer to amend the FY25 Budget in the amount of \$1,091,000 to fund operational costs for the Metro Training & Innovation Center.

Project Background & Update

- The Evermont mix-used development located at Vermont Avenue and Manchester Ave consists of a six-story mixed-use affordable housing and community-serving retail, an open transit plaza, a six-story SEED boarding school with faculty residential units, full-service grocery store, and a 3.5-level parking structure.
- Development includes 15,000 square feet of office space for the Metro Training & Innovation Center.
- In October 2020, the Board approved a Life of Project budget of \$19,900,000 necessary to finalize negotiations on ancillary terms, execute agreements, and to authorize construction and funding of Metro's share of the mixed-use development.
- Since that time, Metro executed a 15-year lease with the developer, Primestor, with 60 dedicated parking spaces for the center.
- The Project is currently under construction and scheduled for completion before December 2024.



MTIC Life-of-Project & Operational Costs

- Metro received a \$2,500,000 FY2023 Transit Infrastructure Grant to fund the LOP budget increase and FY25 budget amendment.
- The LOP as established prior to contract notice-to-proceed has been determined to be inadequate given the complexity of the Project. The total forecasted cost for additional design services during construction, furniture, fixtures, and equipment necessary for project opening is \$1,409,000.
- Operational costs in the amount of \$1,091,000 are required to pay for lease costs, start-up, and administrative costs in support of opening and operating the MTIC.
- MTIC will provide resources and job training for existing Metro employees and residents across the County and programming will include:
 - Metro employees: skills training, a testing center, professional development programming, internship programs and youth initiatives, and a computer lab to conduct mandatory and specialized trainings.
 - Residents across the County: hiring and recruitment initiatives, Room to Work/Workforce Re-entry trainings, Veterans career transition workshops, and access to Metro's job board and online application system for job seekers.
- Metro is exploring partnership opportunities with community-based-organizations and government stakeholders who have existing job readiness programs to host programming at MTIC.

Next Steps

- Upon receiving board approval, staff will revise the LOP budget, amend the FY25 budget, and execute necessary modifications to the construction contract, and any necessary task orders in support of the Project.
- Additionally, staff will move forward with start-up activities required to successfully open the MTIC and serve as a resource for existing Metro employees and community members seeking employment and professional advancement.